CENTURY BANCORP INC
Form 10-Q
May 07, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2015.

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 0-15752

CENTURY BANCORP, INC.

(Exact name of registrant as specified in its charter)

COMMONWEALTH OF MASSACHUSETTS **(State or other jurisdiction of** **incorporation or organization)**	**04-2498617** **(I.R.S. Employer** **Identification No.)**
400 MYSTIC AVENUE, MEDFORD, MA **(Address of principal executive offices)**	**02155** **(Zip Code)**

(781) 391-4000

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. (See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act). (Check one):

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

As of April 30, 2015, the Registrant had outstanding:

Class A Common Stock, $1.00 par value	**3,600,729 Shares**
Class B Common Stock, $1.00 par value	**1,967,180 Shares**

Century Bancorp, Inc.

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Forward Looking Statements

Except for the historical information contained herein, this Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended and Section 21E of the Securities Exchange Act of 1934 as amended. Investors are cautioned that forward-looking statements are inherently uncertain. Actual performance and results of operations may differ materially from those projected or suggested in the forward-looking statements due to certain risks and uncertainties, including, without limitation, (i) the fact that the Company s success is dependent to a significant extent upon general economic conditions in New England, (ii) the fact that the Company s earnings depend to a great extent upon the level of net interest income (the difference between interest income earned on loans and investments and the interest expense paid on deposits and other borrowings) generated by the Bank and thus the Bank s results of operations may be adversely affected by increases or decreases in interest rates, (iii) the fact that the banking business is highly competitive and the profitability of the Company depends upon the Bank s ability to attract loans and deposits within its market area, where the Bank competes with a variety of traditional banking and other institutions such as credit unions and finance companies, and (iv) the fact that a significant portion of the Company s loan portfolio is comprised of commercial loans, exposing the Company to the risks inherent in loans based upon analyses of credit risk, the value of underlying collateral, including real estate, and other more intangible factors, which are considered in making commercial loans. Accordingly, the Company s profitability may be negatively impacted by errors in risk analyses, and by loan defaults, and the ability of certain borrowers to repay such loans may be adversely affected by any downturn in general economic conditions. These factors, as well as general economic and market conditions, may materially and adversely affect the market price of shares of the Company s common stock. Because of these and other factors, past financial performance should not be considered an indicator of future performance. The forward-looking statements contained herein represent the Company s judgment as of the date of this Form 10-Q, and the Company cautions readers not to place undue reliance on such statements.

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PART I Item 1

Century Bancorp, Inc.

Consolidated Balance Sheets (unaudited)

(In thousands, except share data)

	March 31, 2015	December 31, 2014
Assets		
Cash and due from banks	$ 59,680	$ 43,367
Federal funds sold and interest-bearing deposits in other banks	5,945	261,990
Total cash and cash equivalents	65,625	305,357
Short-term investments	2,139	2,131
Securities available-for-sale, amortized cost $455,800 and $448,210, respectively	455,931	448,390
Securities held-to-maturity, fair value $1,796,688 and $1,413,603, respectively	1,773,607	1,406,792
Federal Home Loan Bank of Boston stock, at cost	24,916	24,916
Loans, net:		
Commercial and industrial	157,637	149,732
Municipal	41,406	41,850
Construction and land development	25,347	22,744
Commercial real estate	691,811	696,272
Residential real estate	258,558	257,305
Home equity	156,063	151,275
Consumer and other	10,508	12,188
Total loans, net	1,341,330	1,331,366
Less: allowance for loan losses	22,529	22,318
Net loans	1,318,801	1,309,048
Bank premises and equipment	24,179	24,182
Accrued interest receivable	6,913	6,241
Goodwill	2,714	2,714
Other assets	98,498	94,265
Total assets	$ 3,773,323	$ 3,624,036
Liabilities		
Deposits:		
Demand deposits	$ 508,820	$ 484,928
Savings and NOW deposits	1,063,551	978,619
Money Market Accounts	960,668	890,899
Time deposits	382,456	383,145

Total deposits	2,915,495	2,737,591
Securities sold under agreements to repurchase	260,390	212,360
Other borrowed funds	307,642	395,500
Subordinated debentures	36,083	36,083
Due to broker	7,142	
Other liabilities	48,743	50,002
Total liabilities	3,575,495	3,431,536
Stockholders Equity		
Preferred stock - $1.00 par value; 100,000 shares authorized; no shares issued and outstanding		
Class A common stock, $1.00 par value per share; authorized 10,000,000 shares; issued 3,600,729 shares and 3,600,729 shares, respectively	3,601	3,601
Class B common stock, $1.00 par value per share; authorized 5,000,000 shares; issued 1,967,180 and 1,976,180 shares, respectively	1,967	1,967
Additional paid-in capital	12,292	12,292
Retained earnings	204,821	200,411
	222,681	218,271
Unrealized gains on securities available-for-sale, net of taxes	47	77
Unrealized losses on securities transferred to held-to-maturity, net of taxes	(9,744)	(10,479)
Pension liability, net of taxes	(15,156)	(15,369)
Total accumulated other comprehensive loss, net of taxes	(24,853)	(25,771)
Total stockholders equity	197,828	192,500
Total liabilities and stockholders equity	$ 3,773,323	$ 3,624,036

See accompanying notes to unaudited consolidated interim financial statements.

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Century Bancorp, Inc.

Consolidated Statements of Income (unaudited)

(In thousands, except share data)

	Three months ended March 31, 2015	2014
Interest income		
Loans	$ 12,076	$ 12,449
Securities held-to-maturity	8,168	7,780
Securities available-for-sale	732	820
Federal funds sold and interest-bearing deposits in other banks	196	82
Total interest income	21,172	21,131
Interest expense		
Savings and NOW deposits	628	609
Money market accounts	782	639
Time deposits	1,156	1,085
Securities sold under agreements to repurchase	114	101
Other borrowed funds and subordinated debentures	2,085	2,183
Total interest expense	4,765	4,617
Net interest income	16,407	16,514
Provision for loan losses	200	600
Net interest income after provision for loan losses	16,207	15,914
Other operating income		
Service charges on deposit accounts	1,913	2,034
Lockbox fees	788	777
Gains on sales of mortgage loans	99	7
Other income	705	652
Total other operating income	3,505	3,470
Operating expenses		
Salaries and employee benefits	9,134	8,875
Occupancy	1,605	1,442
Equipment	593	572
FDIC assessments	503	480
Other	2,703	2,790
Total operating expenses	14,538	14,159

Income before income taxes		5,174		5,225
Provision for income taxes		215		293
Net income	$	4,959	$	4,932
Share data:				
Weighted average number of shares outstanding, basic				
Class A		3,600,729		3,582,421
Class B		1,967,180		1,974,180
Weighted average number of shares outstanding, diluted				
Class A		5,567,909		5,558,177
Class B		1,967,180		1,974,180
Basic earnings per share:				
Class A	$	1.08	$	1.08
Class B	$	0.54	$	0.54
Diluted earnings per share				
Class A	$	0.89	$	0.89
Class B	$	0.54	$	0.54

See accompanying notes to unaudited consolidated interim financial statements.

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Century Bancorp, Inc.

Consolidated Statements of Comprehensive Income (unaudited)

(In thousands)

	Three months ended March 31, 2015	2014
Net income	$ 4,959	$ 4,932
Other comprehensive income (loss), net of tax:		
Unrealized gains (losses) on securities:		
Unrealized (losses) gains arising and transferred during period	(30)	243
Less: reclassification adjustment for gains included in net income		
Total unrealized (losses) gains on securities	(30)	243
Accretion of net unrealized losses transferred	735	924
Defined benefit pension plans:		
Amortization of prior service cost and loss included in net periodic benefit cost	213	57
Other comprehensive income (loss)	918	1,224
Comprehensive income (loss)	$ 5,877	$ 6,156

See accompanying notes to unaudited consolidated interim financial statements.

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Century Bancorp, Inc.

Consolidated Statements of Changes in Stockholders Equity (unaudited)

For the Three Months Ended March 31, 2015 and 2014

	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders Equity
			(In thousands)			
Balance at December 31, 2013	$ 3,580	$ 1,976	$ 11,932	$ 180,747	$ (21,763)	$ 176,472
Net income				4,932		4,932
Other comprehensive income, net of tax:						
Unrealized holding (losses) gains arising during period, net of $170 in taxes					243	243
Accretion of unrealized losses on securities transferred to held-to-maturity net of $583 in taxes					924	924
Pension liability adjustment, net of $38 in taxes					57	57
Conversion of class B common stock to class A common stock, 2,000 shares	2	(2)				
Stock options exercised, 75 shares	1		2			3
Cash dividends paid, Class A common stock, $.12 per share				(430)		(430)
Cash dividends paid, Class B common stock, $.06 per share				(119)		(119)
Balance at March 31, 2014	$ 3,583	$ 1,974	$ 11,934	$ 185,130	$ (20,539)	$ 182,082
Balance at December 31, 2014	$ 3,601	$ 1,967	$ 12,292	$ 200,411	$ (25,771)	$ 192,500
Net income				4,959		4,959
Other comprehensive income, net of tax:						
Unrealized holding gains arising during period, net of $19 in taxes					(30)	(30)
Accretion of unrealized losses on securities transferred to held-to-maturity, net of $394 in taxes					735	735
					213	213

Pension liability adjustment, net of $142 in taxes						
Cash dividends paid, Class A common stock, $.12 per share				(432)		(432)
Cash dividends paid, Class B common stock, $.06 per share				(117)		(117)
Balance at March 31, 2015	$ 3,601	$ 1,967	$ 12,292	$ 204,821	$ (24,853)	$ 197,828

See accompanying notes to unaudited consolidated interim financial statements.

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Century Bancorp, Inc.

Consolidated Statements of Cash Flows (unaudited)

(In thousands)

	Three months ended March 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 4,959	$ 4,932
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Gain on sales of mortgage loans	(99)	(7)
Provision for loan losses	200	600
Deferred income taxes	(175)	(744)
Net depreciation and amortization	696	867
(Increase) decrease in accrued interest receivable	(672)	201
Increase in other assets	(4,621)	(998)
(Decrease) increase in other liabilities	(904)	493
Net cash (used in) provided by operating activities	(616)	5,344
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of short-term investments		1,061
Purchase of short-term investments	(8)	(1,069)
Proceeds from calls/maturities of securities available-for-sale	34,265	36,157
Purchase of securities available-for-sale	(34,767)	(44,658)
Proceeds from calls/maturities of securities held-to-maturity	50,467	41,692
Purchase of securities held-to-maturity	(416,137)	(30,957)
Net increase in loans	(14,903)	(127)
Proceeds from sales of portfolio loans	5,061	570
Capital expenditures	(621)	(636)
Net cash (used in) provided by investing activities	(376,643)	2,033
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net decrease in time deposits	(689)	(1,025)
Net increase in demand, savings, money market and NOW deposits	178,593	49,199
Net proceeds from exercise of stock options		3
Cash dividends	(549)	(549)
Net increase (decrease) in securities sold under agreements to repurchase	48,030	(3,790)
Net (decrease) increase in other borrowed funds	(87,858)	17,500
Net cash provided by financing activities	137,527	61,338
Net (decrease) increase in cash and cash equivalents	(239,732)	68,715

Cash and cash equivalents at beginning of period		305,357		94,678
Cash and cash equivalents at end of period	$	65,625	$	163,393
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Cash paid during the period for:				
Interest	$	4,668	$	4,583
Income taxes		210		171
Change in unrealized gains (losses) on securities available-for-sale, net of taxes		(30)		243
Change in unrealized losses on securities transferred to held-to-maturity, net of taxes		735		924
Pension liability adjustment, net of taxes		213		57
Due to broker		7,142		1,000

See accompanying notes to unaudited consolidated interim financial statements.

.Century Bancorp, Inc.

Notes to Unaudited Consolidated Interim Financial Statements

Three Months Ended March 31, 2015 and 2014

Note 1. Basis of Financial Statement Presentation

The consolidated financial statements include the accounts of Century Bancorp, Inc. (the Company) and its wholly owned subsidiary, Century Bank and Trust Company (the Bank). The consolidated financial statements also include the accounts of the Bank s wholly owned subsidiaries, Century Subsidiary Investments, Inc. (CSII), Century Subsidiary Investments, Inc. II (CSII II), Century Subsidiary Investments, Inc. III (CSII III) and Century Financial Services Inc. (CFSI). CSII, CSII II, and CSII III are engaged in buying, selling and holding investment securities. CFSI has the power to engage in financial agency, securities brokerage, and investment and financial advisory services and related securities credit. The Company also owns 100% of Century Bancorp Capital Trust II (CBCT II). The entity is an unconsolidated subsidiary of the Company.

All significant intercompany accounts and transactions have been eliminated in consolidation. The Company provides a full range of banking services to individual, business and municipal customers in Massachusetts. As a bank holding company, the Company is subject to the regulation and supervision of the Federal Reserve Board. The Bank, a state chartered financial institution, is subject to supervision and regulation by applicable state and federal banking agencies, including the Federal Reserve Board, the Federal Deposit Insurance Corporation (the FDIC) and the Commonwealth of Massachusetts Commissioner of Banks. The Bank is also subject to various requirements and restrictions under federal and state law, including requirements to maintain reserves against deposits, restrictions on the types and amounts of loans that may be granted and the interest that may be charged thereon, and limitations on the types of investments that may be made and the types of services that may be offered. Various consumer laws and regulations also affect the operations of the Bank. In addition to the impact of regulation, commercial banks are affected significantly by the actions of the Federal Reserve Board as it attempts to control the money supply and credit availability in order to influence the economy. All aspects of the Company s business are highly competitive. The Company faces aggressive competition from other lending institutions and from numerous other providers of financial services. The Company has one reportable operating segment.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and general practices within the banking industry. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from those estimates. The Company s quarterly report on Form 10-Q should be read in conjunction with the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2014, as filed with the Securities and Exchange Commission.

Material estimates that are susceptible to change in the near term relate to the allowance for loan losses. Management believes that the allowance for loan losses is adequate based on independent appraisals and review of other factors, including historical charge-off rates with additional allocations based on risk factors for each category and general economic factors. While management uses available information to recognize loan losses, future additions to the allowance for loan losses may be necessary based on changes in economic conditions. In addition, regulatory agencies periodically review the Company s allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance for loan losses based on their judgments about information available to them at the time of their examination. Certain reclassifications are made to prior-year amounts whenever necessary to conform with the current-year presentation.

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Note 2. Recent Market Developments

The financial services industry continues to face challenges in the aftermath of the recent national and global economic crisis. Since June 2009, the U.S. economy has been recovering from the most severe recession and financial crisis since the Great Depression. There have been some improvements in private sector employment, industrial production and U.S. exports; nevertheless, the pace of economic recovery has been slow. Financial markets have improved since the depths of the crisis but are still unsettled and volatile. There is continued concern about the U.S. economic outlook.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act) became law. The Act was intended to address many issues arising in the recent financial crisis and is exceedingly broad in scope, affecting many aspects of bank and financial market regulation. The Act requires, or permits by implementing regulation, enhanced prudential standards for banks and bank holding companies inclusive of capital, leverage, liquidity, concentration and exposure measures. In addition, traditional bank regulatory principles such as restrictions on transactions with affiliates and insiders were enhanced. The Act also contains reforms of consumer mortgage lending practices and creates a Bureau of Consumer Financial Protection, which is granted broad authority over consumer financial practices of banks and others. It is expected as the specific new or incremental requirements applicable to the Company become effective that the costs and difficulties of remaining compliant with all such requirements will increase. The Act broadens the base for FDIC assessments to average consolidated assets less tangible equity of financial institutions and also permanently raises the current standard maximum FDIC deposit insurance amount to $250,000. The Act extended unlimited deposit insurance on non-interest bearing transaction accounts through December 31, 2012. In addition, the Act added a new Section 13 to the Bank Holding Company Act, the so-called Volcker Rule, (the Rule) which generally restricts certain banking entities such as the Company and its subsidiaries or affiliates, from engaging in proprietary trading activities and owning equity in or sponsoring any private equity or hedge fund. The Rule became effective July 21, 2012. The final implementing regulations for the Rule were issued by various regulatory agencies in December, 2013 and under an extended conformance regulation compliance must be achieved by July 21, 2015. The conformance period for investments in and relationships with certain legacy covered funds has been extended to July 21, 2016. Under the Rule, the Company may be restricted from engaging in proprietary trading, investing in third party hedge or private equity funds or sponsoring new funds unless it qualifies for an exemption from the rule. The Company has little involvement in prohibited proprietary trading or investment activities in covered funds and the Company does not expect that complying with the requirements of the Rule will have any material effect on the Company s financial condition or results of operation.

Federal banking regulators have issued risk-based capital guidelines, which assign risk factors to asset categories and off-balance-sheet items. Also, the Basel Committee has issued capital standards entitled Basel III: A global regulatory framework for more resilient banks and banking systems (Basel III). The Federal Reserve Board has finalized its rule implementing the Basel III regulatory capital framework. The rule that came into effect in January 2015 sets the Basel III minimum regulatory capital requirements for all organizations. It includes a new common equity Tier I ratio of 4.5 percent of risk-weighted assets, raises the minimum Tier I capital ratio from 4 percent to 6 percent of risk-weighted assets and would set a new conservation buffer of 2.5 percent of risk-weighted assets. The implementation of the framework did not have a material impact on the Company s financial condition or results of operations.

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Note 3. Securities Available-for-Sale

	March 31, 2015				December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)							
U.S. Treasury	**$ 2,000**	**$**	**$**	**$ 2,000**	$ 1,999	$ 1	$	$ 2,000
Small Business Administration	**6,538**	**32**		**6,570**	6,684	33		6,717
U.S. Government Agency and Sponsored Enterprises Mortgage Backed Securities	**321,978**	**1,273**	**374**	**322,877**	336,158	1,387	452	337,093
Privately Issued Residential Mortgage Backed Securities	**1,818**	**3**	**18**	**1,803**	1,894	5	25	1,874
Obligations Issued by States and Political Subdivisions	**119,648**		**875**	**118,773**	97,657		873	96,784
Other Debt Securities	**3,600**	**7**	**96**	**3,511**	3,600	24	100	3,524
Equity Securities	**218**	**179**		**397**	218	180		398
Total	**$ 455,800**	**$ 1,494**	**$ 1,363**	**$ 455,931**	$ 448,210	$ 1,630	$ 1,450	$ 448,390

During the third quarter of 2013, securities available-for-sale with an amortized cost of $1,012,370,000 were transferred to securities held-to-maturity at their fair value of $987,037,000 in response to rising interest rates. Rising interest rates have the potential to increase unrealized losses on the available-for-sale portfolio. The transfer was implemented to lessen the effects of rising interest rates.

Included in U.S. Government Sponsored Enterprise Securities and U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities are securities at fair value pledged to secure public deposits and repurchase agreements amounting to $292,887,000 and $301,038,000 at March 31, 2015 and December 31, 2014, respectively. Also included in securities available-for-sale are securities pledged for borrowing at the Federal Home Loan Bank of Boston amounting to $23,339,000 and $24,810,000 at March 31, 2015 and December 31, 2014, respectively. There were no realized gains on sales of investments for the three months ended March 31, 2015 and March 31, 2014, respectively.

Debt securities of Government Sponsored Enterprises primarily refer to debt securities of Fannie Mae and Freddie Mac.

The following table shows the maturity distribution of the Company s securities available-for-sale at March 31, 2015.

	Amortized Cost	Fair Value
	(In thousands)	
Within one year	**$ 115,350**	**$ 115,336**
After one but within five years	**198,396**	**199,214**
After five but within ten years	**132,313**	**132,401**
More than 10 years	**8,023**	**7,179**
Non-maturing	**1,718**	**1,801**
Total	**$ 455,800**	**$ 455,931**

The weighted average remaining life of investment securities available-for-sale at March 31, 2015 was 3.8 years. The contractual maturities, which were used in the table above, of mortgage-backed securities, will differ from the actual maturities, due to the ability of the issuers to prepay underlying obligations.

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As of March 31, 2015 and December 31, 2014, management concluded that the unrealized losses of its investment securities are temporary in nature since they are not related to the underlying credit quality of the issuers, and the Company does not intend to sell these debt securities and it is not more likely than not that it will be required to sell these debt securities before the anticipated recovery of its remaining amortized cost. In making its other-than-temporary impairment evaluation, the Company considered the fact that the principal and interest on these securities are from issuers that are investment grade. The change in the unrealized losses on the state and municipal securities and the nonagency mortgage-backed securities was primarily caused by changes in credit spreads and liquidity issues in the marketplace.

The unrealized loss on U.S. Government Sponsored Enterprises and U.S. Government Sponsored Enterprises Mortgage Backed Securities related primarily to interest rates and not credit quality and because the Company has the ability and intent to hold these investments until recovery of fair value, which may be maturity. The Company does not consider these investments to be other-than-temporarily impaired.

In evaluating the underlying credit quality of a security, management considers several factors such as the credit rating of the obligor and the issuer, if applicable. Internal reviews of issuer financial statements are performed as deemed necessary. In the case of privately issued mortgage-backed securities, the performance of the underlying loans is analyzed as deemed necessary to determine the estimated future cash flows of the securities. Factors considered include the level of subordination, current and estimated future default rates, current and estimated prepayment rates, estimated loss severity rates, geographic concentrations and origination dates of underlying loans. In the case of marketable equity securities, the severity of the unrealized loss, the length of time the unrealized loss has existed, and the issuer s financial performance are considered.

The following table shows the temporarily impaired securities of the Company s available-for-sale portfolio at March 31, 2015. This table shows the unrealized market loss of securities that have been in a continuous unrealized loss position for 12 months or less and a continuous loss position for 12 months and longer. There are 4 and 14 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 256 holdings at March 31, 2015.

	March 31, 2015					
	Less than 12 months		**12 months or longer**		**Total**	
Temporarily Impaired Investments	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
			(In thousands)			
U.S. Government Sponsored Enterprises	**$**	**$**	**$**	**$**	**$**	**$**
U.S. Government Agency and Sponsored Enterprises Mortgage Backed Securities	**21,932**	**37**	**79,708**	**337**	**101,640**	**374**
Privately Issued Residential Mortgage Backed Securities			**658**	**18**	**658**	**18**
Obligations Issued by States and Political Subdivisions			**3,820**	**875**	**3,820**	**875**
Other Debt Securities			**1,404**	**96**	**1,404**	**96**
Total temporarily impaired securities	**$ 21,932**	**$ 37**	**$ 85,590**	**$ 1,326**	**$ 107,522**	**$ 1,363**

The following table shows the temporarily impaired securities of the Company s available-for-sale portfolio at December 31, 2014. This table shows the unrealized market loss of securities that have been in a continuous unrealized loss position for 12 months or less and a continuous loss position for 12 months and longer. There are 3 and 14 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 262 holdings at December 31, 2014.

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	December 31, 2014					
	Less than 12 months		12 months or longer		Total	
Temporarily Impaired Investments	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. Government Sponsored Enterprises	$	$	$	$	$	$
U.S. Government Agency and Sponsored Enterprises Mortgage Backed Securities	24,457	85	77,585	367	102,042	452
Privately Issued Residential Mortgage Backed Securities			678	25	678	25
Obligations Issued by States and Political Subdivisions			3,820	873	3,820	873
Other Debt Securities			1,400	100	1,400	100
Total temporarily impaired securities	$ 24,457	$ 85	$ 83,483	$ 1,365	$ 107,940	$ 1,450

Note 4. Investment Securities Held-to-Maturity

	March 31, 2015				December 31, 2014			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)							
U.S. Government Sponsored Enterprises	**$ 362,706**	**$ 5,315**	**$ 65**	**$ 367,956**	$ 251,617	$ 2,707	$ 249	$ 254,075
U.S. Government Agency and Sponsored Enterprises Mortgage Backed Securities	**1,410,901**	**20,182**	**2,351**	**1,428,732**	1,155,175	11,185	6,832	1,159,528
Total	**$ 1,773,607**	**$ 25,497**	**$ 2,416**	**$ 1,796,688**	$ 1,406,792	$ 13,892	$ 7,081	$ 1,413,603

Included in U.S. Government and Agency Securities are securities pledged to secure public deposits and repurchase agreements at fair value amounting to $967,608,000 and $868,924,000 at March 31, 2015 and December 31, 2014, respectively. Also included are securities pledged for borrowing at the Federal Home Loan Bank of Boston at fair value amounting to $449,801,000 and $458,782,000 at March 31, 2015 and December 31, 2014, respectively.

At March 31, 2015 and December 31, 2014, all mortgage-backed securities are obligations of U.S. Government Agencies and Government Sponsored Enterprises. Government Sponsored Enterprises primarily refer to debt securities of Fannie Mae and Freddie Mac.

The following table shows the maturity distribution of the Company s securities held-to-maturity at March 31, 2015.

	Amortized Cost	**Fair Value**
	(In thousands)	
Within one year	**$ 3,842**	**$ 3,908**
After one but within five years	**1,419,300**	**1,434,605**
After five but within ten years	**346,515**	**354,165**
More than ten years	**3,950**	**4,010**
Total	**$ 1,773,607**	**$ 1,796,688**

The weighted average remaining life of investment securities held-to-maturity at March 31, 2015 was 4.3 years. Included in the weighted average remaining life calculation at March 31, 2015 were $280,101,000 of U.S. Government Sponsored Enterprises obligations that are callable at the discretion of the issuer. The actual maturities, which were used in the table above, of mortgage-backed securities, will differ from the contractual maturities, due to the ability of the issuers to prepay underlying obligations.

As of March 31, 2015 and December 31, 2014, management concluded that the unrealized losses of its investment securities are temporary in nature since they are not related to the underlying credit quality of the issuers, and the Company does not intend to sell these debt securities and it is not likely that it will be required to sell these debt securities before the anticipated recovery of their remaining amortized costs. In making its other-than-temporary impairment evaluation, the Company considered the fact that the principal and interest on these securities are from issuers that are investment grade.

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The unrealized loss on U.S. Government Agency and Sponsored Enterprises Mortgage-Backed Securities related primarily to interest rates and not credit quality, and because the Company does not intend to sell any of these securities and it is not likely that it will be required to sell these securities before the anticipated recovery of the remaining amortized cost, the Company does not consider these investments to be other-than-temporarily impaired at March 31, 2015 and December 31, 2014.

In evaluating the underlying credit quality of a security, management considers several factors such as the credit rating of the obligor and the issuer, if applicable. Internal reviews of issuer financial statements are performed as deemed necessary.

The following table shows the temporarily impaired securities of the Company s held-to-maturity portfolio at March 31, 2015. This table shows the unrealized market loss of securities that have been in a continuous unrealized loss position for 12 months or less and a continuous loss position for 12 months and longer. There are 35 and 19 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 357 holdings at March 31, 2015.

	March 31, 2015					
	Less Than 12 Months		12 Months or Longer		Total	
Temporarily Impaired Investments	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
	(Dollars in thousands)					
U.S. Government Sponsored Enterprises	**$ 49,452**	**$ 65**	**$**	**$**	**$ 49,452**	**$ 65**
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	**180,629**	**986**	**109,697**	**1,365**	**290,326**	**2,351**
Total temporarily impaired securities	**$ 230,081**	**$ 1,051**	**$ 109,697**	**$ 1,365**	**$ 339,778**	**$ 2,416**

The following table shows the temporarily impaired securities of the Company s held-to-maturity portfolio at December 31, 2014. This table shows the unrealized market loss of securities that have been in a continuous unrealized loss position for 12 months or less and a continuous loss position for 12 months and longer. There are 34 and 48 securities that are temporarily impaired for less than 12 months and for 12 months or longer, respectively, out of a total of 303 holdings at December 31, 2014.

	December 31, 2014					
	Less Than 12 Months		12 Months or Longer		Total	
Temporarily Impaired Investments	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
U.S. Government Sponsored Enterprises	$ 22,414	$ 25	$ 14,776	$ 224	$ 37,190	$ 249
U.S. Government Agency and Sponsored Enterprise Mortgage-Backed Securities	194,119	1,678	308,526	5,154	502,645	6,832

Total temporarily impaired securities	$ 216,533	$ 1,703	$ 323,302	$ 5,378	$ 539,835	$ 7,081

Note 5. Allowance for Loan Losses

The Company maintains an allowance for loan losses in an amount determined by management on the basis of the character of the loans, loan performance, financial condition of borrowers, the value of collateral securing loans and other relevant factors.

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The following table summarizes the changes in the Company s allowance for loan losses for the periods indicated.

	Three months ended March 31, 2015	**2014**
	(in thousands)	
Allowance for loan losses, beginning of period	**$ 22,318**	$ 20,941
Loans charged off	**(81)**	(429)
Recoveries on loans previously charged-off	**92**	147
Net recoveries (charge-offs)	**11**	(282)
Provision charged to expense	**200**	600
Allowance for loan losses, end of period	**$ 22,529**	$ 21,259

Further information pertaining to the allowance for loan losses for the three months ending March 31, 2015 follows:

	Construction and Land Development	**Commercial and Industrial**	**Municipal**	**Commercial Real Estate**	**Residential Real Estate**	**Consumer**	**Home Equity**	**Unallocated**	**Total**
				(Dollars in thousands)					
Allowance for loan losses:									
Balance at December 31, 2014	**$ 1,592**	**$ 4,758**	**$ 1,488**	**$ 11,199**	**$ 775**	**$ 810**	**$ 599**	**$ 1,097**	**$ 22,318**
Charge-offs						**(81)**			**(81)**
Recoveries		**15**		**2**	**2**	**73**			**92**
Provision	**292**	**(128)**	**(115)**	**(74)**	**22**	**(88)**	**15**	**276**	**200**
Ending balance at March 31, 2015	**$ 1,884**	**$ 4,645**	**$ 1,373**	**$ 11,127**	**$ 799**	**$ 714**	**$ 614**	**$ 1,373**	**$ 22,529**
Amount of allowance for loan	**$ 20**	**$ 96**	**$**	**$ 631**	**$ 90**	**$**	**$ 92**	**$**	**929**

losses for loans deemed to be impaired									
Amount of allowance for loan losses for loans not deemed to be impaired	**$ 1,864**	**$ 4,549**	**$ 1,373**	**$ 10,496**	**$ 709**	**$ 714**	**$ 522**	**$ 1,373**	**$ 21,600**
Loans:									
Ending balance	**$ 25,347**	**$ 157,637**	**$ 41,406**	**$ 691,811**	**$ 258,558**	**$ 10,508**	**$ 156,063**	**$**	**$ 1,341,330**
Loans deemed to be impaired	**$ 102**	**$ 871**	**$**	**$ 4,304**	**$ 952**	**$**	**$ 92**	**$**	**$ 6,321**
Loans not deemed to be impaired	**$ 25,245**	**$ 156,766**	**$ 41,406**	**$ 687,507**	**$ 257,606**	**$ 10,508**	**$ 155,971**	**$**	**$ 1,335,009**

Further information pertaining to the allowance for loan losses for the three months ending March 31, 2014 follows:

	Construction and Land Development	**Commercial and Industrial**	**Municipals**	**Commercial Real Estate**	**Residential Real Estate**	**Consumer**	**Home Equity**	**Unallocated**	**Total**
				(Dollars in thousands)					
Allowance for loan losses:									
Balance at December 31, 2013	$ 2,174	$ 2,617	$ 655	$ 10,935	$ 2,006	$ 432	$ 959	$ 1,163	$ 20,941
Charge-offs	(250)					(179)			(429)
Recoveries		24		1	5	116	1		147
Provision	(99)	(48)	149	631	(138)	56	(58)	107	600
Ending balance at March 31, 2014	$ 1,825	$ 2,593	$ 804	$ 11,567	$ 1,873	$ 425	$ 902	$ 1,270	$ 21,259
Amount of allowance for	$ 25	$ 358	$	$ 382	$ 122	$	$ 94	$	981

loan losses for loans deemed to be impaired									
Amount of allowance for loan losses for loans not deemed to be impaired	$ 1,800	$ 2,235	$ 804	$ 11,185	$ 1,751	$ 425	$ 808	$ 1,270	$ 20,278
Loans:									
Ending balance	$ 25,928	$ 80,478	$ 32,307	$ 691,541	$ 290,465	$ 9,542	$ 133,800	$	$ 1,264,061
Loans deemed to be impaired	$ 358	$ 1,129	$	$ 4,408	$ 998	$	$ 94	$	$ 6,987
Loans not deemed to be impaired	$ 25,570	$ 79,349	$ 32,307	$ 687,133	$ 289,467	$ 9,542	$ 133,706	$	$ 1,257,074

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The Company utilizes a six grade internal loan rating system for commercial real estate, construction and commercial loans as follows:

Loans rated 1-3 (Pass):

Loans in this category are considered pass rated loans with low to average risk.

Loans rated 4 (Monitor):

These loans represent classified loans that management is closely monitoring for credit quality. These loans have had or may have minor credit quality deterioration as of March 31, 2015 and December 31, 2014.

Loans rated 5 (Substandard):

Substandard loans represent classified loans that management is closely monitoring for credit quality. These loans have had more significant credit quality deterioration as of March 31, 2015 and December 31, 2014.

Loans rated 6 (Doubtful):

Doubtful loans represent classified loans that management is closely monitoring for credit quality. These loans had more significant credit quality deterioration as of March 31, 2015 and December 31, 2014 and are doubtful for full collection.

Impaired:

Impaired loans represent classified loans that management is closely monitoring for credit quality. A loan is classified as impaired when it is probable that the Company will be unable to collect all amounts due.

The following table presents the Company s loans by risk rating at March 31, 2015.

	Construction and land development	Commercial and industrial	Municipal	Commercial real estate
	(Dollars in thousands)			
Grade:				
1-3 (Pass)	**$ 18,170**	**$ 156,294**	**$ 41,406**	**$ 686,883**
4 (Monitor)	**7,075**	**472**		**624**
5 (Substandard)				
6 (Doubtful)				
Impaired	**102**	**871**		**4,304**
Total	**$ 25,347**	**$ 157,637**	**$ 41,406**	**$ 691,811**

The following table presents the Company s loans by risk rating at December 31, 2014.

	Construction and land development	Commercial and industrial	Municipal	Commercial real estate
	(Dollars in thousands)			
Grade:				
1-3 (Pass)	$ 15,515	$ 148,407	$ 41,850	$ 691,322
4 (Monitor)	7,126	472		633
5 (Substandard)				
6 (Doubtful)				
Impaired	103	853		4,317
Total	$ 22,744	$ 149,732	$ 41,850	$ 696,272

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The Company utilized payment performance as credit quality indicators for residential real estate, consumer and overdrafts, and the home equity portfolio. The indicators are depicted in the table aging of past due loans, below.

Further information pertaining to the allowance for loan losses at March 31, 2015 follows:

	Accruing 30-89 Days Past Due	Non Accrual	Accrual Greater Than 90 Days	Total Past Due	Current Loans	Total
			(Dollars in thousands)			
Construction and land development	**$**	**$ 102**	**$**	**$ 102**	**$ 25,245**	**$ 25,347**
Commercial and industrial	**173**	**209**		**382**	**157,255**	**157,637**
Municipal					**41,406**	**41,406**
Commercial real estate	**1,154**	**2,775**		**3,929**	**687,882**	**691,811**
Residential real estate	**698**	**632**		**1,330**	**257,228**	**258,558**
Consumer and overdrafts	**6**	**4**		**10**	**10,498**	**10,508**
Home equity	**733**	**538**	**34**	**1,305**	**154,758**	**156,063**
Total	**$ 2,764**	**$ 4,260**	**$ 34**	**$ 7,058**	**$ 1,334,272**	**$ 1,341,330**

Further information pertaining to the allowance for loan losses at December 31, 2014 follows:

	Accruing 30-89 Days Past Due	Non Accrual	Accrual Greater Than 90 Days	Total Past Due	Current Loans	Total
			(Dollars in thousands)			
Construction and land development	$	$ 103	$	$ 103	$ 22,641	$ 22,744
Commercial and industrial	905	157		1,062	148,670	149,732
Municipal					41,850	41,850
Commercial real estate	1,046	2,781		3,827	692,445	696,272
Residential real estate	632	846		1,478	255,827	257,305
Consumer and overdrafts	6	5		11	12,177	12,188
Home equity	576	254		830	150,445	151,275
Total	$ 3,165	$ 4,146	$	$ 7,311	$ 1,324,055	$ 1,331,366

A loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. When a loan is impaired, the Company measures impairment based on the present value of expected future cash flows discounted at the loan s effective interest rate, except that as a practical expedient, the Company measures impairment based on a loan s observable market price, or the fair value of the collateral if the loan is collateral dependent. Loans are charged-off when management believes that the collectability of the loan s principal is not probable. The specific factors that management considers in making the determination that the collectability of the loan s principal is not probable include; the delinquency status of the loan, the fair value of the collateral, if secured, and the financial strength of the borrower and/or guarantors. For collateral dependent loans, the amount of the recorded investment in a loan that exceeds the fair value of the collateral is charged-off against the allowance for loan losses in lieu of an allocation of a specific allowance amount when such an amount has been identified definitively as uncollectible. The Company s policy for recognizing interest income on impaired loans is contained within Note 1 of the consolidated financial statements contained in the Company s Annual Report for the fiscal year ended December 31, 2014.

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The following is information pertaining to impaired loans for March 31, 2015:

	Carrying Value	Unpaid Principal Balance	Required Reserve	Average Carrying Value For 3 Months Ending 3/31/15	Interest Income Recognized For 3 Months Ending 3/31/15
			(Dollars in thousands)		
With no required reserve recorded:					
Construction and land development	$	$	$	$	$
Commercial and industrial	63	105		39	
Municipal					
Commercial real estate	392	396		393	
Residential real estate	132	215		134	2
Consumer					
Home equity					
Total	$ 587	$ 716	$	$ 566	$ 2
With required reserve recorded:					
Construction and land development	$ 102	$ 108	$ 20	$ 103	$
Commercial and industrial	808	1,010	96	821	11
Municipal					
Commercial real estate	3,912	4,006	631	3,918	16
Residential real estate	820	820	90	823	6
Consumer					
Home equity	92	92	92	92	
Total	$ 5,734	$ 6,036	$ 929	$ 5,757	$ 33
Total:					
Construction and land development	$ 102	$ 108	$ 20	$ 103	$
Commercial and industrial	871	1,115	96	860	11
Municipal					
Commercial real estate	4,304	4,402	631	4,311	16
Residential real estate	952	1,035	90	957	8
Consumer					
Home equity	92	92	92	92	
Total	$ 6,321	$ 6,752	$ 929	$ 6,323	$ 35

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The following is information pertaining to impaired loans for March 31, 2014:

	Carrying Value	Unpaid Principal Balance	Required Reserve	Average Carrying Value For 3 Months Ending 3/31/14	Interest Income Recognized For 3 Months Ending 3/31/14
			(Dollars in thousands)		
With no required reserve recorded:					
Construction and land development	$ 250	$ 3,292	$	$ 437	$
Commercial and industrial	11	42		116	
Municipal					
Commercial real estate	55	56		41	
Residential real estate				164	
Consumer					
Home equity					
Total	$ 316	$ 3,390	$	758	$
With required reserve recorded:					
Construction and land development	$ 108	$ 108	$ 25	108	$
Commercial and industrial	1,118	1,352	358	1,116	8
Municipal					
Commercial real estate	4,353	4,442	382	4,420	32
Residential real estate	998	1,082	122	949	1
Consumer					
Home equity	94	94	94	94	
Total	$ 6,671	$ 7,078	$ 981	$ 6,687	$ 41
Total:					
Construction and land development	$ 358	$ 3,400	$ 25	545	$
Commercial and industrial	1,129	1,394	358	1,232	8
Municipal					
Commercial real estate	4,408	4,498	382	4,461	32
Residential real estate	998	1,082	122	1,113	1
Consumer					
Home equity	94	94	94	94	
Total	$ 6,987	$ 10,468	$ 981	$ 7,445	$ 41

There were no troubled debt restructurings occurring during the three month periods ended March 31, 2015 and March 31, 2014.

Note 6. Reclassifications Out of Accumulated Other Comprehensive Income (a)

Amount Reclassified from Accumulated Other Comprehensive Income

Details about Accumulated Other Comprehensive Income Components	**Three Months Ended March 31, 2015**	**Three Months Ended March 31, 2014**	**Affected Line Item in the Statement Where Net Income is Presented**
	(in thousands)		
Accretion of unrealized losses transferred			
	$ 1,129	$ 1,507	Securities held-to-maturity
	(394)	(583)	Provision for income taxes
	$ 735	$ 924	Net income
Amortization of defined benefit pension items			
Prior-service costs	**$ (3)(b)**	$ (3)(b)	Salaries and employee benefits
Actuarial gains (losses)	**(352)(b)**	(92)(b)	Salaries and employee benefits
Total before tax	**(355)**	(95)	Income before taxes
Tax (expense) or benefit	**142**	38	Provision for income taxes
Net of tax	**$ (213)**	$ (57)	Net income
Total reclassifications for the period	**$ (522)**	$ 867	Net income, net of tax

(a) Amount in parentheses indicate debits to profit/loss.

(b) These accumulated other comprehensive income components are included in the computation of net periodic pension cost (see employee benefits footnote (Note 8) for additional details).

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Note 7. Earnings per Share (EPS)

Class A and Class B shares participate equally in undistributed earnings. Under the Company s Articles of Organization, the holders of Class A Common Stock are entitled to receive dividends per share equal to at least 200% of dividends paid, if any, from time to time, on each share of Class B Common Stock.

Diluted EPS includes the dilutive effect of common stock equivalents; basic EPS excludes all common stock equivalents. The only common stock equivalents for the Company are the stock options discussed below. The dilutive effect of these stock options for 2014 was an increase of 1,534 shares. There were no stock options outstanding during the first quarter of 2015.

The following table is a reconciliation of basic EPS and diluted EPS for the three months ended March 31,

	2015	2014
Basic EPS Computation:		
(in thousands except share and per share data)		
Numerator:		
Net income, Class A	**$ 3,895**	$ 3,867
Net income, Class B	**1,064**	1,065
Denominator:		
Weighted average shares outstanding, Class A	**3,600,729**	3,582,421
Weighted average shares outstanding, Class B	**1,967,180**	1,974,180
Basic EPS, Class A	**$ 1.08**	$ 1.08
Basic EPS, Class B	**0.54**	0.54
Diluted EPS Computation:		
Numerator:		
Net income, Class A	**$ 3,895**	$ 3,867
Net income, Class B	**1,064**	1,065
Total net income, for diluted EPS, Class A computation	**4,959**	4,932
Denominator:		
Weighted average shares outstanding, basic, Class A	**3,600,729**	3,582,421
Weighted average shares outstanding, Class B	**1,967,180**	1,974,180
Dilutive effect of Class A stock options		1,576
Weighted average shares outstanding diluted, Class A	**5,567,909**	5,558,177
Weighted average shares outstanding, Class B	**1,967,180**	1,974,180
Diluted EPS, Class A	**$ 0.89**	$ 0.89
Diluted EPS, Class B	**0.54**	0.54

Note 8. Employee Benefits

The Company provides pension benefits to its employees under a noncontributory, defined benefit plan which is funded on a current basis in compliance with the requirements of the Employee Retirement Income Security Act of 1974 (ERISA) and recognizes costs over the estimated employee service period.

The Company also has a Supplemental Executive Insurance/Retirement Plan (the Supplemental Plan) which is limited to certain officers and employees of the Company. The Supplemental Plan is accrued on a current basis and recognizes costs over the estimated employee service period.

Executive officers of the Company and its subsidiaries who have at least one year of service may participate in the Supplemental Plan. The Supplemental Plan is voluntary and participants are required to contribute to its cost. Life insurance policies, which are owned by the Company, are purchased covering the lives of each participant.

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Components of Net Periodic Benefit Cost (Credit) for the Three Months Ended March 31,

	Pension Benefits		Supplemental Insurance/ Retirement Plan	
	2015	2014	**2015**	2014
	(In thousands)			
Service cost	**$ 336**	$ 258	**$ 397**	$ 389
Interest	**394**	367	**341**	331
Expected return on plan assets	**(688)**	(636)		
Recognized prior service cost (benefit)	**(26)**	(26)	**29**	29
Recognized net actuarial losses	**203**	3	**150**	88
Net periodic benefit (credit) cost	**$ 219**	$ (34)	**$ 917**	$ 837

Contributions

The company intends to contribute $2,000,000 to the Pension Plan in 2015. As of March 31, 2015, $500,000 has been contributed.

Note 9. Fair Value Measurements

The Company follows FASB ASC 820-10, *Fair Value Measurements and Disclosures*, (formerly SFAS 157, Fair Value Measurements,) which among other things, requires enhanced disclosures about assets and liabilities carried at fair value. ASC 820-10 establishes a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring financial instruments at fair value. The three broad levels of the hierarchy are as follows:

Level I Quoted prices are available in active markets for identical assets or liabilities as of the reported date. The type of financial instruments included in Level I are highly liquid cash instruments with quoted prices such as G-7 government, agency securities, listed equities and money market securities, as well as listed derivative instruments.

Level II Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these financial instruments include cash instruments for which quoted prices are available but traded less frequently, derivative instruments whose fair value have been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data, and instruments that are fair valued using other financial instruments, the parameters of which can be directly observed. Instruments which are generally included in this category are corporate bonds and loans, mortgage whole loans, municipal bonds and OTC derivatives.

Level III Instruments that have little to no pricing observability as of the reported date. These financial instruments do not have two-way markets and are measured using management s best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation. Instruments that are included in this category generally include certain commercial mortgage loans, certain private equity investments, distressed debt, non-investment grade residual interests in securitizations, as well as certain highly structured OTC derivative contracts.

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The results of the fair value hierarchy as of March 31, 2015, are as follows:

Financial Instruments Measured at Fair Value on a Recurring Basis:

	Securities AFS Fair Value Measurements Using			
	Carrying Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
	(In thousands)			
U.S. Treasury	$ 2,000	$	$ 2,000	$
SBA Backed Securities	6,570		6,570	
U.S. Government Agency and Sponsored Mortgage Backed Securities	322,877		322,877	
Privately Issued Residential Mortgage Backed Securities	1,803		1,803	
Obligations Issued by States and Political Subdivisions	118,773			118,773
Other Debt Securities	3,511		3,511	
Equity Securities	397	295		102
Total	$ 455,931	$ 295	$ 336,761	$ 118,875

Financial Instruments Measured at Fair Value on a Non-recurring Basis:

Impaired Loans	1,223			1,223

Impaired loan balances represent those collateral dependent loans where management has estimated the credit loss by comparing the loan s carrying value against the expected realizable fair value of the collateral. Fair value is generally determined through a review process that includes independent appraisals, discounted cash flows, or other external assessments of the underlying collateral, which generally include various Level 3 inputs which are not identifiable. The Company discounts the fair values, as appropriate, based on management s observations of the local real estate market for loans in this category.

Appraisals, discounted cash flows and real estate tax assessments are reviewed quarterly. There is no specific policy regarding how frequently appraisals will be updated. Adjustments are made to appraisals and real estate tax assessments based on management s estimate of changes in real estate values. Within the past twelve months there have been no updated appraisals, however, all impaired loans have been reviewed during the past quarter using either a discounted cash flow analysis or other type of real estate tax assessment. The types of adjustments that are made to specific provisions (credits) relate to impaired loans recognized for the three-month period ended March 31, 2015 amounted to $37,000.

There were no transfers between level 1 and 2 for the three months ended March 31, 2015. There were no liabilities measured at fair value on a recurring or nonrecurring basis during the three month period ended March 31, 2015.

The following table presents additional information about assets measured at fair value on a recurring and nonrecurring basis for which the Company has utilized Level 3 inputs to determine fair value (dollars in thousands). Management continues to monitor the assumptions used to value the assets listed below.

Asset	**Fair Value**	**Valuation Technique**	**Unobservable Input**	**Unobservable Input Value or Range**
Securities AFS(4)	$ 118,875	Discounted cash flow	Discount rate	0% -1% (3)
Impaired Loans	1,223	Appraisal of collateral (1)	Appraisal adjustments (2)	0%-30% discount

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various Level 3 inputs which are not identifiable.

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(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated expenses.
(3) Weighted averages.
(4) Municipal securities generally have maturities of one year or less and, therefore, the amortized cost equates to the fair value.

The changes in Level 3 securities for the three-month period ended March 31, 2015 are shown in the table below:

	Auction Rate Securities	Obligations Issued by States & Political Subdivisions	Equity Securities	Total
		(In thousands)		
Balance at December 31, 2014	**$ 3,820**	**$ 92,964**	**$ 102**	**$ 96,886**
Purchases		**41,909**		**41,909**
Maturities and calls		**(19,914)**		**(19,914)**
Amortization		**(6)**		**(6)**
Changes in fair value				
Balance at March 31, 2015	**$ 3,820**	**$ 114,953**	**$ 102**	**$ 118,875**

The amortized cost of Level 3 securities was $119,750,000 at March 31, 2015 with an unrealized loss of $875,000. The securities in this category are generally equity investments, municipal securities with no readily determinable fair value or failed auction rate securities. Management evaluated the fair value of these securities based on an evaluation of the underlying issuer, prevailing rates and market liquidity.

The changes in Level 3 securities for the three-month period ended March 31, 2014, are shown in the table below:

	Auction Rate Securities	Obligations Issued by States & Political Subdivisions	Equity Securities	Total
		(In thousands)		
Balance at December 31, 2013	$ 3,820	$ 32,487	$ 290	$ 36,597
Purchases		7,205		7,205
Maturities and calls		(10,717)		(10,717)
Amortization		(5)		(5)
Changes in fair value				
Balance at March 31, 2014	$ 3,820	$ 28,970	$ 290	$ 33,080

The amortized cost of Level 3 securities was $33,951,000 at March 31, 2014 with an unrealized loss of $870,000. The securities in this category are generally equity investments, municipal securities with no readily determinable fair value or failed auction rate securities. Management evaluated the fair value of these securities based on an evaluation of the underlying issuer, prevailing rates and market liquidity.

The results of the fair value hierarchy as of December 31, 2014, are as follows:

Financial Instruments Measured at Fair Value on a Recurring Basis:

		Securities AFS Fair Value Measurements Using		
	Carrying Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
	(In thousands)			
U.S. Treasury	$ 2,000	$	$ 2,000	$
U.S. Government Sponsored Enterprises				
SBA Backed Securities	6,717		6,717	
U.S. Government Agency and Sponsored Mortgage Backed Securities	337,093		337,093	
Privately Issued Residential Mortgage Backed Securities	1,874		1,874	
Obligations Issued by States and Political Subdivisions	96,784			96,784
Other Debt Securities	3,524		3,524	
Equity Securities	398	296		102
Total	$ 448,390	$ 296	$ 351,208	$ 96,886

Financial Instruments Measured at Fair Value on a Non-recurring Basis:

Impaired Loans	3,410			3,410

Impaired loan balances represent those collateral dependent loans where management has estimated the credit loss by comparing the loan s carrying value against the expected realizable fair value of the collateral. Fair value is generally determined through a review process that includes independent appraisals, discounted cash flows, or other external assessments of the underlying collateral, which generally include various Level 3 inputs which are not identifiable. The Company discounts the fair values, as appropriate, based on management s observations of the local real estate market for loans in this category.

Appraisals, discounted cash flows and real estate tax assessments are reviewed quarterly. There is no specific policy regarding how frequently appraisals will be updated. Adjustments are made to appraisals and real estate tax assessments based on management s estimate of changes in real estate values. Within the past twelve months there have been no updated appraisals, however, all impaired loans have been reviewed during the past quarter using either a discounted cash flow analysis or other type of real estate tax assessment. The types of adjustments that are made to specific provisions (credits) relate to impaired loans recognized for the period ended 2014 for the estimated credit loss amounted to $947,000.

There were no transfers between level 1 and 2 for the three months ended December 31, 2014. There were no liabilities measured at fair value on a recurring or nonrecurring basis during the year ended December 31, 2014.

The following table presents additional information about assets measured at fair value on a recurring and nonrecurring basis for which the Company has utilized Level 3 inputs to determine fair value (dollars in thousands). Management continues to monitor the assumptions used to value the assets listed below.

Asset	Fair Value	Valuation Technique	Unobservable Input	Unobservable Input Value or Range
Securities AFS(4)	$ 96,886	Discounted cash flow	Discount rate	0% -1% (3)
Impaired Loans	3,410	Appraisal of collateral (1)	Appraisal adjustments (2)	0%-30% discount

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various Level 3 inputs which are not identifiable.
(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated expenses.
(3) Weighted averages
(4) Municipal securities generally have maturities of one year or less and, therefore, the amortized cost equates to the fair value.

Note 10. Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating fair values of its financial instruments. Excluded from this disclosure are all nonfinancial instruments. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The assumptions used below are expected to approximate those that market participants would use in valuing these financial instruments.

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Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial instrument, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. Such estimates do not consider the tax impact of the realization of unrealized gains or losses. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial instrument. Care should be exercised in deriving conclusions about our business, its value or financial position based on the fair value information of financial instruments presented below.

Securities held-to-maturity: The fair values of these securities were based on quoted market prices, where available, as provided by third-party investment portfolio pricing vendors. If quoted market prices were not available, fair values provided by the vendors were based on quoted market prices of comparable instruments in active markets and/or based on a matrix pricing methodology which employs The Bond Market Association s standard calculations for cash flow and price/yield analysis, live benchmark bond pricing and terms/condition data available from major pricing sources. Management regards the inputs and methods used by third party pricing vendors to be Level 2 inputs and methods as defined in the fair value hierarchy provided by FASB.

Loans: For variable-rate loans, that reprice frequently and with no significant change in credit risk, fair values are based on carrying amounts. The fair value of other loans is estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Incremental credit risk for nonperforming loans has been considered.

Time deposits: The fair value of time deposits was estimated using a discounted cash flow approach that applies prevailing market interest rates for similar maturity instruments. The fair values of the Company s time deposit liabilities do not take into consideration the value of the Company s long-term relationships with depositors, which may have significant value.

Other borrowed funds: The fair value of other borrowed funds is based on the discounted value of contractual cash flows. The discount rate used is estimated based on the rates currently offered for other borrowed funds of similar remaining maturities.

Subordinated debentures: The fair value of subordinated debentures is based on the discounted value of contractual cash flows. The discount rate used is estimated based on the rates currently offered for other subordinated debentures of similar remaining maturities.

The following presents (in thousands) the carrying amount, estimated fair value, and placement in the fair value hierarchy of the Company s financial instruments as of March 31, 2015 and December 31, 2014. This table excludes financial instruments for which the carrying amount approximates fair value. Financial assets for which the fair value approximates carrying value include cash and cash equivalents, short-term investments, FHLBB stock and accrued interest receivable. Financial liabilities for which the fair value approximates carrying value include non-maturity deposits, short-term borrowings and accrued interest payable.

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			Fair Value Measurements		
	Carrying Amount	Estimated Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
March 31, 2015					
(in thousands)					
Financial assets:					
Securities held-to-maturity	**$ 1,773,607**	**$ 1,796,688**	**$**	**$ 1,796,688**	**$**
Loans (1)	**1,318,801**	**1,299,012**			**1,299,012**
Financial liabilities:					
Time deposits	**382,456**	**386,759**		**386,759**	
Other borrowed funds	**307,642**	**314,756**		**314,756**	
Subordinated debentures	**36,083**	**36,083**			**36,083**
December 31, 2014					
Financial assets:					
Securities held-to-maturity	1,406,792	1,413,603		1,413,603	
Loans (1)	1,309,048	1,291,550			1,291,550
Financial liabilities:					
Time deposits	383,145	387,919		387,919	
Other borrowed funds	395,500	400,196		400,196	
Subordinated debentures	36,083	36,083			36,083

(1) Comprised of loans (including collateral dependent impaired loans), net of deferred loan costs and the allowance for loan losses.

Note 11. Recent Accounting Developments

In January 2014, the FASB issued ASU 2014-04, Receivables-Troubled Debt Restructurings by Creditors (Subtopic 310-40) *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*. The amendments in this update clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. The amendments in this update are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The Company has assessed the impact of ASU 2014-04 and the adoption of this amendment did not have a material impact on the Company s financial statements.

In June 2014, the FASB issued ASU 2014-11, Transfers and Servicing (Topic 860) *Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*. This ASU eliminates sale accounting for repurchase-to-maturity transactions and supersedes the guidance under which a transfer of a financial asset and a contemporaneous repurchase financing could be accounted for on a combined basis as a forward agreement. In addition, the ASU requires a new disclosure for transactions economically similar to repurchase agreements in which the transferor retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction. The ASU is effective for annual periods beginning after December 15, 2014 and interim periods beginning after December 15, 2015; early application is not permitted. The Company assessed the impact of ASU 2014-11 and the adoption of this amendment did not have a material impact on the Company s financial statements.

In August 2014, the FASB issued ASU 2014-14, Receivables Troubled Debt Restructurings by Creditors (Subtopic 310-40*) Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure.* This ASU which will require creditors to derecognize certain foreclosed government-guaranteed mortgage loans and to recognize a separate other receivable that is measured at the amount the creditor expects to recover from the guarantor, and to treat the guarantee and the receivable as a single unit of account. ASU 2014-14 is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. For entities other than public business entities, the ASU is effective for annual periods ending after December 15, 2015, and interim periods beginning after December 15, 2015. An entity can elect a prospective or a modified retrospective transition method, but must use the same transition method that it elected under FASB ASU No. 2014-04, Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. Early adoption, including adoption in an interim period, is permitted if the entity already adopted ASU 2014-04. The Company has assessed the impact of ASU 2014-14 and the adoption of this amendment did not have a material impact on the Company s financial statements.

In August 2014, the FASB issued ASU 2014-15, (Subtopic 205-40) *Disclosures of Uncertainties about an Entity s Ability to Continue as a Going Concern*. This ASU provides guidance on determining when and how reporting entities must disclose going concern uncertainties in their financial statements. The new standard requires management to perform interim and annual assessments of an entity s ability to continue as a going concern within one year of the date of issuance of the entity s financial statements. Further, an entity must provide certain disclosures if there is substantial doubt about the entity s ability to continue as a going concern. The ASU is effective for interim and annual periods beginning after December 15, 2016; early application is permitted. The Company has chosen not to early adopt ASU 2014-15. Management does not expect a material impact, if any, as of March 31, 2015.

In November 2014, the FASB issued ASU 2014-17, Business Combinations . (Topic 805): *Pushdown Accounting (a consensus of the FASB Emerging Issues Task Force).* This ASU was issued to provide an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. An acquired entity may elect the option to apply pushdown accounting in the reporting period in which the change-in-control event occurs. An acquired entity should determine whether to elect to apply pushdown accounting for each individual change-in-control event in which an acquirer obtains control of the acquired entity. If pushdown accounting is not applied in the reporting period in which the change-in-control event occurs, an acquired entity will have the option to elect to apply pushdown accounting in a subsequent reporting period to the acquired entity s most recent change-in-control event. An election to apply pushdown accounting in a reporting period in which the change-in-control event occurred should be considered a change in accounting principle in accordance with Topic 250, Accounting Changes and Error Corrections. If pushdown accounting is applied to an individual change-in-control event, that election is irrevocable. The amendments in this Update are effective on November 18, 2014. The adoption of this standard did not have a material impact on the Company s financial statements.

In January 2015, the FASB issued ASU 2015-01, Income Statement-Extraordinary and Unusual (Subtopic 225-20): *Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*. This ASU eliminates from GAAP the concept of extraordinary items. This Update will align more closely GAAP income statement presentation guidance with International Audit Standards (IAS) 1, Presentation of Financial Statements, which prohibits the presentation and disclosure of extraordinary items. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The adoption of this standard is not expected to have a material impact on the Company s financial statements.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Executive Overview

Century Bancorp, Inc. (together with its bank subsidiary, unless the context otherwise requires, the Company) is a Massachusetts state-chartered bank holding company headquartered in Medford, Massachusetts. The Company is a Massachusetts

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corporation formed in 1972 and has one banking subsidiary (the Bank): Century Bank and Trust Company formed in 1969. At March 31, 2015, the Company had total assets of $3.8 billion. Currently, the Company operates 27 banking offices in 20 cities and towns in Massachusetts, ranging from Braintree in the south to Andover in the north. The Bank s customers consist primarily of small and medium-sized businesses and retail customers in these communities and surrounding areas, as well as local governments and institutions throughout Massachusetts.

The Company s results of operations are largely dependent on net interest income, which is the difference between the interest earned on loans and securities and interest paid on deposits and borrowings. The results of operations are also affected by the level of income and fees from loans, deposits, as well as operating expenses, the provision for loan losses, the impact of federal and state income taxes and the relative levels of interest rates and economic activity.

The Company offers a wide range of services to commercial enterprises, state and local governments and agencies, non-profit organizations and individuals. It emphasizes service to small and medium sized businesses and retail customers in its market area. The Company makes commercial loans, real estate and construction loans and consumer loans, and accepts savings, time, and demand deposits. In addition, the Company offers to its corporate and institutional customers automated lock box collection services, cash management services and account reconciliation services, and actively promotes the marketing of these services to the municipal market. Also, the Company provides full service securities brokerage services through a program called Investment Services at Century Bank, which is supported by LPL Financial, a third party full-service securities brokerage business.

The Company has client engagements in Massachusetts, New Hampshire and Rhode Island with approximately 245 government entities throughout the region.

Net income for the first quarter ended March 31, 2015 was $4,959,000, or $0.89 per Class A share diluted, compared to net income of $4,932,000, or $0.89 per Class A share diluted, for the quarter ended March 31, 2014.

Earnings per share (EPS) for each class of stock and time period is as follows:

	Three months ended March 31, 2015	Three months ended March 31, 2014
Basic EPS Class A common	**$ 1.08**	$ 1.08
Basic EPS Class B common	**$ 0.54**	$ 0.54
Diluted EPS Class A common	**$ 0.89**	$ 0.89
Diluted EPS Class B common	**$ 0.54**	$ 0.54

Net interest income totaled $16.4 million for the quarter ended March 31, 2015 compared to $16.5 million for the same period in 2014. The 0.6% decrease in net interest income for the period is primarily due to a decrease in the net interest margin. The net interest margin decreased from 2.27% on a fully taxable equivalent basis in 2014 to 2.12% on the same basis for 2015. This was primarily the result of a decrease in rates on earning assets. Also, interest expense increased slightly as a result of an increase in deposit balances and there was a 7.8% increase in the average balances of earning assets, combined with a similar increase in average deposits.

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The trends in the net interest margin are illustrated in the graph below:

The primary factor accounting for the decrease in the net interest margin for 2013 was an additional large influx of deposits. Management invested the funds in shorter term securities. The net interest margin has declined slightly throughout 2014 and through the first quarter of 2015.

While management will continue its efforts to improve the net interest margin, there can be no assurance that certain factors beyond its control, such as the prepayment of loans and changes in market interest rates, will continue to positively impact the net interest margin.

The provision for loan losses decreased by $400,000 from $600,000 for the quarter ended March 31, 2014 to $200,000 for the same period in 2015, primarily as a result of stable loan balances and low charge-offs levels. Non-performing assets totaled $4.3 million at March 31, 2015, compared to $4.1 million at December 31, 2014.

Included in operating expenses for the first three months ended March 31, 2015 are FDIC assessments of $503,000 compared to $480,000 for the same period in 2014.

For the first three months of 2015, the Company s effective income tax rate was 4.2% compared to 5.6% for last year s corresponding period. The effective income tax rate decreased primarily as a result of an increase in tax-exempt income.

During December 2013, the Company entered into a lease agreement to open a branch located in Woburn, Massachusetts. The branch opened on November 3, 2014.

During March 2014, the Company entered into a lease agreement to open a branch located on Boylston Street in Boston, Massachusetts. This property is leased from an entity affiliated with Marshall M. Sloane, Chairman of the Board of the Company. This agreement was approved by the Board of Directors in the absence of the Chairman of the Board. The branch opened on April 22, 2015. The deposits from the Kenmore Square, Boston Massachusetts branch, which closed on September 30, 2014, were moved to the new Boylston Street branch.

Financial Condition

Loans

On March 31, 2015, total loans outstanding were $1.3 billion, up by $10.0 million from the total on December 31, 2014. At March 31, 2015, commercial real estate loans accounted for 51.6% and residential real estate loans, including home equity loans, accounted for 30.9% of total loans.

Commercial and industrial loans increased to $157.6 million at March 31, 2015 from $149.7 million at December 31, 2014, primarily as a result of an increase in commercial and industrial financing. Construction loans increased to $25.3 million at March 31, 2015 from $22.7 million on December 31, 2014, primarily as a result of an increase in construction financing. Municipal loans decreased from $41.9 million to $41.4 million, primarily as a result of loan payments.

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Allowance for Loan Losses

The allowance for loan loss at March 31, 2015 was $22.5 million as compared to $22.3 million at December 31, 2014. The increase was due to the increase in the size of the loan portfolio. The level of the allowance for loan losses to total loans was 1.68% at March 31, 2015 and at December 31, 2014. In evaluating the allowance for loan losses the Company considered the following categories to be higher risk:

Construction loans: The outstanding loan balance of construction loans at March 31, 2015 is $25.3 million as compared to $22.7 million at December 31, 2014. Based on the general local conditions facing construction, management closely monitors all construction loans and considers this type of loans to be higher risk.

Higher balance loans: Loans greater than $1.0 million are considered high balance loans . The balance of these loans is $787.3 million at March 31, 2015 as compared to $785.5 million at December 31, 2014. These loans are considered higher risk due to the concentration in individual loans. Additional allowance allocations are made based upon the level of high balance loans. Included in high balance loans are loans greater than $10.0 million. The balance of these loans, which is included in the loans greater than $1.0 million category, is $470.4 million, at March 31, 2015 as compared to $482.6 million at December 31, 2014. Additional allowance allocations are made based upon the level of this type of high balance loans that is separate and greater than the $1.0 million allocation. Also included in high balance loans are loans greater than $25.0 million. The balance of these loans is $211.3 million, at March 31, 2015 as compared to $211.5 million at December 31, 2014. Additional allowance allocations are made based upon the level of this type of high balance loans that is separate and greater than the $1.0 million and $10.0 million allocation.

Small business loans: The outstanding loan balances of small business loans is $36.4 million at March 31, 2015 as compared to $35.3 million at December 31, 2014. These are considered higher risk loans because small businesses have been negatively impacted by the current economic conditions. In a liquidation scenario, the collateral, if any, is often not sufficient to fully recover the outstanding balance of the loan. As a result, the Company often seeks additional collateral prior to renewing maturing small business loans. In addition, the payment status of the loans is monitored closely in order to initiate collection efforts in a timely fashion.

The following table summarizes the changes in the Company s allowance for loan losses for the periods indicated.

	Three months ended March 31,	
	2015	**2014**
	(in thousands)	
Allowance for loan losses, beginning of period	**$ 22,318**	$ 20,941
Loans charged off	**(81)**	(429)
Recoveries on loans previously charged-off	**92**	147

Net recoveries (charge-offs)	**11**	(282)
Provision charged to expense	**200**	600
Allowance for loan losses, end of period	**$ 22,529**	$ 21,259

The Company may experience increased levels of nonaccrual loans if borrowers are negatively impacted by future negative economic conditions. Management continually monitors trends in the loan portfolio to determine the appropriate level of allowance for loan losses. At the current time, management believes that the allowance for loan losses is adequate.

Nonperforming Assets

The following table sets forth information regarding nonperforming assets held by the Bank at the dates indicated:

	March 31, 2015	December 31, 2014
	(Dollars in thousands)	
Nonaccruing loans	**$ 4,260**	$ 4,146
Loans past due 90 days or more and still accruing	**$ 34**	$
Nonaccruing loans as a percentage of total loans	**0.32%**	0.31%
Accruing troubled debt restructures	**$ 3,238**	$ 3,296

Cash and Cash Equivalents

Cash and cash equivalents decreased during the first three months of 2015. This was primarily the result of a decrease in lower yielding interest-bearing deposits in other banks during the quarter. Management invested excess cash and cash equivalents in higher yielding securities during the quarter.

Short-term Investments

Short-term investments remained stable during the quarter.

Investments

Management continually evaluates its investment alternatives in order to properly manage the overall balance sheet mix. The timing of purchases, sales and reinvestments, if any, will be based on various factors including expectation of movements in market interest rates, deposit flows and loan demand. Notwithstanding these events, it is the intent of management to grow the earning asset base mainly through loan originations while funding this growth through a mix of retail deposits, FHLB advances, and retail repurchase agreements.

Securities Available-for-Sale (at Fair Value)

The securities available-for-sale portfolio totaled $455.9 million at March 31, 2015, an increase of 1.7% from December 31, 2014. During the third quarter of 2013, $987.0 million of securities available-for-sale with unrealized losses of $25.3 million were transferred to securities held-to-maturity. This was done in response to rising interest rates. Purchases of securities available-for-sale totaled $34.8 million for the three months ended March 31, 2015. The portfolio is concentrated in United States Government Sponsored Enterprises, Mortgage-backed Securities and Obligations issued by States and Political Subdivisions and had an estimated weighted average remaining life of 3.8 years.

The majority of the Company s securities AFS are classified as Level 2. The fair values of these securities are generally obtained from a pricing service, which provides the Company with a description of the inputs generally utilized for each type of security. These inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. Market indicators and industry and economic events are also monitored.

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Securities available-for-sale totaling $118.9 million, or 3.2% of assets are classified as Level 3. These securities are generally failed auction rate securities, equity investments or obligations of states and political subdivisions with no readily determinable fair value. Failed auction rate securities were reclassified to Level 3 during the first quarter of 2009 due to the lack of an active market. Fair values for Level 3 securities are, generally, arrived at based upon a review of market trades of similar instruments, if any, as well as an analysis of the security based upon market liquidity and prevailing market interest rates.

During the first three months of 2015, net unrealized gains on the securities available-for-sale decreased to $131,000 from a $180,000 gain at December 31, 2014. Unrealized gains on the available-for-sale portfolio decreased mainly as a result of a higher proportion of short-term obligations issued by states and political subdivisions that are carried at par value.

	March 31, 2015	**December 31, 2014**
	(In thousands)	
U.S. Treasury	**$ 2,000**	$ 2,000
Small Business Administration	**6,570**	6,717
U.S Government Agency and Sponsored Enterprise Mortgage-backed Securities	**322,877**	337,093
Privately Issued Residential Mortgage-backed Securities	**1,803**	1,874
Obligations issued by States and Political Subdivisions	**118,773**	96,784
Other Debt Securities	**3,511**	3,524
Equity Securities	**397**	398
Total Securities Available for-Sale	**$ 455,931**	$ 448,390

There were no realized gains on sales of investments for the first three months of 2015.

Debt securities of Government Sponsored Enterprises primarily refer to debt securities of Fannie Mae and Freddie Mac.

Securities Held-to-Maturity (at Amortized Cost)

The securities held-to-maturity portfolio totaled $1.8 billion on March 31, 2015, an increase of 26.1% from the total on December 31, 2014. During the third quarter of 2013, $987.0 million of securities available-for-sale with unrealized losses of $25.3 million were transferred to securities held-to-maturity. This was done in response to rising interest rates. The portfolio is concentrated in United States Government Sponsored Enterprises and Mortgage-backed Securities and had an estimated weighted average remaining life of 4.3 years.

	March 31, 2015	**December 31, 2014**
	(In thousands)	
U.S. Government Sponsored Enterprises	**$ 362,706**	$ 251,617
	1,410,901	1,155,175

U.S. Government Agency and Sponsored Enterprise Mortgage-backed Securities		
Total Securities Held-to-Maturity	**$ 1,773,607**	$ 1,406,792

At March 31, 2015 and December 31, 2014, all mortgage-backed securities are obligations of U.S. Government Sponsored Enterprises.

Debt securities of Government Sponsored Enterprises primarily refer to debt securities of Fannie Mae and Freddie Mac.

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Federal Home Loan Bank of Boston Stock

The Bank, as a member of the Federal Home Loan Bank of Boston (FHLBB) system, is required to maintain an investment in capital stock of the FHLBB. Based on redemption provisions, the stock has no quoted market value and is carried at cost. At its discretion, the FHLBB may declare dividends on the stock. The Company reviews for impairment based on the ultimate recoverability of the cost basis in the stock. During the first three months of 2015, the Company had no purchases or redemptions of FHLBB stock. As of March 31, 2015, no impairment has been recognized.

Deposits and Borrowed Funds

On March 31, 2015, deposits totaled $2.9 billion, representing a 6.5% increase from December 31, 2014. Total deposits increased primarily as a result of increases in demand deposits, money market accounts, and savings and NOW deposits. Money market and Savings and NOW deposits increased as the Company continued to offer attractive rates for these types of deposits during the first three months of the year. Borrowed funds totaled $568.0 million compared to $607.9 million at December 31, 2014. Borrowed funds decreased mainly as a result of maturities of borrowings from the FHLBB.

Stockholders Equity

At March 31, 2015, total equity was $197.8 million compared to $192.5 million at December 31, 2014. The Company s equity increased primarily as a result of earnings and a decrease in other comprehensive loss, net of taxes, offset somewhat by dividends paid. Other comprehensive loss, net of taxes, decreased as a result of a decrease in unrealized losses on securities available-for-sale and securities transferred from available-for-sale to held-to-maturity and amortization of the pension liability. During the third quarter of 2013, $987.0 million of securities available-for-sale with unrealized losses of $25.3 million were transferred to securities held-to-maturity. This was done in response to rising interest rates. The Company s leverage ratio stood at 6.60% at March 31, 2015, compared to 6.91% at December 31, 2014. The decrease in the leverage ratio is primarily due to an increase in quarterly average assets, offset somewhat by an increase in stockholders equity. Book value as of March 31, 2015 was $35.53 per share compared to $34.57 at December 31, 2014.

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Results of Operations

The following table sets forth the distribution of the Company s average assets, liabilities and stockholders equity, and average rates earned or paid on a fully taxable equivalent basis for each of the three-month periods indicated.

	Three Months Ended					
	March 31, 2015			March 31, 2014		
	(In thousands)					
	Average Balance	Interest Income/ Expense(1)	Rate Earned/ Paid(1)	Average Balance	Interest Income/ Expense(1)	Rate Earned/ Paid(1)
ASSETS						
Interest-earning assets:						
Loans (2)						
Loans taxable	**$ 732,191**	**$ 7,467**	**4.14%**	$ 762,284	$ 8,200	4.36%
Loans tax-exempt	**606,242**	**7,142**	**4.78**	502,765	6,607	5.33
Securities available-for-sale (5):						
Taxable	**432,356**	**625**	**0.58**	459,934	770	0.67
Tax-exempt	**34,317**	**162**	**1.89**	34,308	75	0.87
Securities held-to-maturity:						
Taxable	**1,530,383**	**8,168**	**2.13**	1,492,839	7,780	2.08
Interest-bearing deposits in other banks	**300,638**	**196**	**0.26**	121,093	82	0.27
Total interest-earning assets	**3,636,127**	**23,760**	**2.62**	3,373,223	23,514	2.80
Non interest-earning assets	**184,743**			162,308		
Allowance for loan losses	**(22,511)**			(21,193)		
Total assets	**$ 3,798,359**			$ 3,514,338		
LIABILITIES AND STOCKHOLDERS EQUITY						
Interest-bearing deposits:						
NOW accounts	**$ 762,796**	**$ 412**	**0.22%**	$ 731,971	$ 383	0.21%
Savings accounts	**333,948**	**216**	**0.26**	340,343	226	0.27
Money market accounts	**999,901**	**782**	**0.32**	904,037	639	0.29
Time deposits	**377,433**	**1,156**	**1.24**	376,792	1,085	1.17
Total interest-bearing deposits	**2,474,078**	**2,566**	**0.42**	2,353,143	2,333	0.40
Securities sold under agreements to repurchase	**248,508**	**114**	**0.19**	226,927	101	0.18
Other borrowed funds and subordinated debentures	**339,107**	**2,085**	**2.49**	252,295	2,183	3.51
Total interest-bearing liabilities	**3,061,693**	**4,765**	**0.63%**	2,832,365	4,617	0.66%
	490,020			468,623		

Non interest-bearing liabilities Demand deposits						
Other liabilities	**51,639**			33,609		
Total liabilities	**3,603,352**			3,334,597		
Stockholders equity	**195,007**			179,741		
Total liabilities & stockholders equity	**$ 3,798,359**			$ 3,514,338		
Net interest income on a fully taxable equivalent basis		**18,995**			18,897	
Less taxable equivalent adjustment		**(2,588)**			(2,383)	
Net interest income		**$ 16,407**			$ 16,514	
Net interest spread (3)			**1.99%**			2.14%
Net interest margin (4)			**2.12%**			2.27%

(1) On a fully taxable equivalent basis calculated using a federal tax rate of 34%.
(2) Nonaccrual loans are included in average amounts outstanding.
(3) Interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.
(4) Net interest margin represents net interest income as a percentage of average interest-earning assets.
(5) Average balances of securities available-for-sale calculated utilizing amortized cost.

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The following table presents certain information on a fully-tax equivalent basis regarding changes in the Company s interest income and interest expense for the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided with respect to changes attributable to changes in rate and changes in volume.

	Three Months Ended March 31, 2015 Compared with Three Months Ended March 31, 2014 Increase/(Decrease) Due to Change in		
	Volume	Rate	Total
	(in thousands)		
Interest income:			
Loans			
Taxable	$ (316)	$ (417)	$ (733)
Tax-exempt	1,266	(731)	535
Securities available-for-sale Taxable	(44)	(101)	(145)
Tax-exempt		87	87
Securities held-to-maturity Taxable	198	190	388
Interest-bearing deposits in other banks	117	(3)	114
Total interest income	1,221	(975)	246
Interest expense:			
Deposits:			
NOW accounts	16	13	29
Savings accounts	(4)	(6)	(10)
Money market accounts	71	72	143
Time deposits	2	69	71
Total interest-bearing deposits	85	148	233
Securities sold under agreements to repurchase	10	3	13
Other borrowed funds and subordinated debentures	633	(731)	(98)
Total interest expense	728	(580)	148
Change in net interest income	$ 493	$ (395)	$ 98

Net Interest Income

For the three months ended March 31, 2015, net interest income on a fully taxable equivalent basis totaled $19.0 million compared to $18.9 million for the same period in 2014, an increase of $98,000 or 0.5%. This slight increase in net interest income for the period is primarily due to an increase in interest earning assets, offset somewhat by a decrease in the net interest margin. The net interest margin decreased from 2.27% on a fully taxable equivalent basis in 2014 to 2.12% on the same basis for 2015. This was primarily the result of a decrease in rates on earning assets. Also, interest expense increased slightly as a result of an increase in deposit balances and there was a 7.8% increase in the average balances of earning assets, combined with a similar increase in average deposits.

Provision for Loan Losses

For the three months ended March 31, 2015, the loan loss provision was $200,000 compared to a provision of $600,000 for the same period last year. The decrease in the provision was primarily as a result of stable loan balances and low charge-off levels.

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Non-Interest Income and Expense

Other operating income for the quarter ended March 31, 2015 increased by $35,000 from the same period last year to $3.5 million. This was mainly attributable to gains on sales of mortgage loans increase of $92,000 from the same period last year. Also, other income increased by $53,000. This was mainly attributable to an increase in loan servicing fees. Lockbox fees increased by $11,000 as a result of increased customer volume. Offsetting the increases were decreases in service charges on deposit accounts. This was mainly attributable to a decrease in overdraft fees.

For the quarter ended March 31, 2015, operating expenses increased by $379,000 or 2.7% to $14.5 million, from the same period last year. The increase in operating expenses for the quarter which was mainly attributable to an increase of $259,000 in salaries and employee benefits, $163,000 increase in occupancy costs, $21,000 in equipment costs, and $23,000 in FDIC assessments. This was offset, somewhat, by a decrease of $87,000 in other expenses. Salaries and employee benefits increased mainly as a result of increases in pension costs and merit increases. Occupancy costs increased mainly as a result of increased rent associated with branch expansion and increased building maintenance costs associated with snow plowing. Equipment costs increased mainly as a result of depreciation of capital improvements. FDIC assessments increased mainly as a result of an increase in the assessment base. Other expenses decreased mainly as a result of decreases in debit card losses and marketing expenses. This was offset somewhat, by increases in personnel recruitment and security costs.

Income Taxes

For the first quarter of 2015, the Company s income tax expense totaled $215,000 on pretax income of $5.2 million resulting in an effective tax rate of 4.2%. For last year s corresponding quarter, the Company s income tax expense totaled $293,000 on pretax income of $5.2 million resulting in an effective tax rate of 5.6%. The decrease in the effective income tax rate was primarily the result of an increase in tax-exempt income.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Market risk is the risk of loss from adverse changes in market prices and rates. The Company s market risk arises primarily from interest rate risk inherent in its lending and deposit taking activities. To that end, management actively monitors and manages its interest rate risk exposure. The Company s profitability is affected by fluctuations in interest rates. A sudden and substantial increase or decrease in interest rates may adversely impact the Company s earnings to the extent that the interest rates tied to specific assets and liabilities do not change at the same speed, to the same extent, or on the same basis. The Company monitors the impact of changes in interest rates on its net interest income using several tools. The Company s primary objective in managing interest rate risk is to minimize the adverse impact of changes in interest rates on the Company s net interest income and capital, while structuring the Company s asset-liability structure to obtain the maximum yield-cost spread on that structure. Management believes that there has been no material changes in the interest rate risk reported in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed with the Securities and Exchange Commission. The information is contained in the Form 10-K within the Market Risk and Asset Liability Management section of Management s Discussion and Analysis of Results of Operations and Financial Condition.

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Item 4. Controls and Procedures

The Company s management, with participation of the Company s principal executive and financial officers, has evaluated its disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on this evaluation, the Company s management, with participation of its principal executive and financial officers, has concluded that the Company s disclosure controls and procedures are effective. The disclosure controls and procedures also effectively ensure that information required to be disclosed in the Company s filings and submissions with the Securities and Exchange Commission under the Exchange Act is accumulated and reported to Company management (including the principal executive officer and the principal financial officer) as appropriate to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. In addition, the Company has evaluated its internal control over financial reporting and during the first quarter of 2015 there were no changes that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Part II Other Information

Item 1		Legal proceedings At the present time, the Company is not engaged in any legal proceedings which, if adversely determined to the Company, would have a material adverse impact on the Company s financial condition or results of operations. From time to time, the Company is party to routine legal proceedings within the normal course of business. Such routine legal proceedings, in the aggregate, are believed by management to be immaterial to the Company s financial condition and results of operation.
Item 1A		Risk Factors Please read Risk Factors in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2014. There have been no material changes since this 10-K was filed. These risks are not the only ones facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially adversely effect the Company s business, financial condition and operating results.
Item 2		Unregistered Sales of Equity Securities and Use of Proceeds
		(a) (b) Not applicable.
		(c) None
Item 4		Mine Safety Disclosures Not applicable
Item 3		Defaults Upon Senior Securities None
Item 5		Other Information None
Item 6		Exhibits
		31.1 Certification of President and Chief Executive Officer of the Company Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14.
		31.2 Certification of Chief Financial Officer of the Company Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14.
	+	32.1 Certification of President and Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\+ 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350,as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\+ + 101.INS XBRL Instance Document

\+ + 101.SCH XBRL Taxonomy Extension Schema

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+ + 101.CAL XBRL Taxonomy Extension Calculation Linkbase

+ + 101.LAB XBRL Taxonomy Extension Label Linkbase

+ + 101.PRE XBRL Taxonomy Extension Presentation Linkbase

+ + 101.DEF XBRL Taxonomy Definition Linkbase

+ This exhibit shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

++ As provided in Rule 406T of regulation S-T, this information is filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934 and consists of the following materials from Century Bancorp Inc. s Quarterly Report on 10-Q for the quarter ended March 31, 2015, formatted in XBRL: (i) Consolidated Balance Sheets at March 31, 2015 and December 31, 2014; (ii) Consolidated Statements of Income for the three months ended March 31, 2015 and 2014; (iii) Consolidated Statements of Comprehensive Income for the three months ended March 31, 2015 and 2014; (iv) Consolidated Statements of Changes in Stockholders Equity for the three months ended March 31, 2015 and 2014; (v) Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014; and (vi) Notes to Unaudited Consolidated Interim Financial Statements.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 7, 2015 **Century Bancorp, Inc.**

/s/ Barry R. Sloane
Barry R. Sloane
President and Chief Executive Officer

/s/ William P. Hornby, CPA
William P. Hornby, CPA
Chief Financial Officer and Treasurer
(Principal Accounting Officer)